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TAGS: [AMGT](#) [ABLD](#) [AFIN](#) [EAID](#) [EFIN](#) [GY](#)

SUBJECT: GUYANA'S NEW VAT AND TAX RECIPROCITY - REQUEST TO CONVOKE
AMBASSADOR

Ref: Georgetown 27

11. Action request para 8 and 9.

12. The Government of Guyana (GoG) instituted a 16% VAT on 1 January 2007. Preparations for the VAT were insufficient at best (Reftel). The GoG's public education campaign was misleading on many points causing confusion and discontent among the public and the unprepared business community.

13. In a December 1 briefing, the Director General of the Ministry of Foreign Affairs and the Deputy Commissioner of the Guyana Revenue Authority (GRA) promised the Diplomatic Corps that the GRA will refund all/all VAT paid by Diplomatic missions, international organizations, and privileged staff, with no minimum amounts for reimbursement and that interest will be paid on reimbursement claims delayed more than one month.

14. However, at the December 1 briefing, GRA was still drafting forms and procedures, and hiring and training staff. GRA was not able to provide any specific information about the mechanism by which exempt missions/staff should file their claims for reimbursement.

15. Neither was the GRA able to provide any information on procedures for exempt missions/staff to avoid VAT payable directly to GRA on virtually all imports.

16. Multiple follow up meetings with MFA, GRA, and Minister of Finance have not provided any more clarity. Post's sense is that the GoG does wish to implement a system that will refund 100% of VAT to privileged missions/staff, but is now overwhelmed with the more fundamental issues of making VAT work on a commercial and political level. It is not just the diplomatic community that is waiting on the GRA: the MFA Director General told DCM that the GRA to date has not provided government agencies with instructions on mechanisms by which they secure their own statutory exemption from the VAT.

17. In the last week the Guyana Customs Authority, acting on instruction from GRA, has requested post employees to pay 16% VAT on the value of consumable shipments and imported POVs, despite Customs having a letter from the MFA instructing Customs that these imports should be exempt from VAT. Post has succeeded in getting shipments released, but each shipment is being handled in an ad hoc manner and shipments are being delayed during the bureaucratic tangling. Unlike VAT on retail goods that is included in a price paid to a merchant, the VAT on imports is payable directly to the government on the assessed value of the import. The VAT on imports is clearly a direct tax on diplomatic mission and privileged staff.

Action Request

18. Post requests Department convoke Guyanese Ambassador Bayney Karran and provide him a gentle reminder of the general and specific GoG obligations under the

- Vienna Convention on Diplomatic Relations,
- 1967 Agreement between the United States and Guyana relating to the establishment of a Peace Corps program, and
- 1979 General Agreement for Economic, Technical, and Related Assistance.

19. Post further requests Department gently inform Ambassador Karran of the potential impact on Guyana Embassy operations and on USG funding under the Foreign Assistance Act should Guyana's new VAT result in changed GoG tax treatment of the U.S. mission, U.S. staff, and USG assistance programs.

ROBINSON